

**TESTIMONY FROM SOLAR CONNECTICUT, INC. EXECUTIVE DIRECTOR  
MICHAEL TRAHAN IN SUPPORT OF H.B. No. 5538 (RAISED) AN ACT  
CONCERNING PROPERTY TAX EXEMPTIONS FOR SOLAR INSTALLATIONS**

**March 21, 2012**

*Solar Connecticut* was formed as a non-profit in 2007 to advocate in support of what at the time were a handful of solar installation companies operating here. Today, there are over 100 companies in Connecticut authorized to offer the state ratepayer solar electric and solar thermal (domestic hot water) incentives to residential and commercial property owners. Solar Connecticut also works with state-based manufacturers, product developers, suppliers and those working in the job training and energy education sectors.

I am testifying on HB 5538, AN ACT CONCERNING PROPERTY TAX EXEMPTIONS FOR SOLAR INSTALLATIONS. This bill is simply about correcting the inequitable tax treatment of residential and commercial solar photovoltaic systems.

In Connecticut, solar electric systems – sometimes called photovoltaics – that generate electric power for residential homes *are* exempt from local property tax. PV systems installed on commercial properties *are not* exempt.

The solar panels used in residential and commercial solar projects are the same.

The installers that install residential and commercial solar projects are the same.

The same solar installer license qualifies for both residential and commercial projects.

Residential and commercial solar systems both qualify for solar incentives.

Both Connecticut homeowners, and Connecticut business owners pay high electric rates.

The big difference is how the projects are taxed. Homeowners are exempt. Businesses are not.

And this is a very important difference given that on March 9 the state's electric utilities unveiled their plan to begin partially funding \$1 billion worth of commercial zero-emission and low-emission energy projects. These new programs will help pay for renewable power projects much of it commercial solar. Later this month or next, business owners will begin making decisions on whether to pursue solar projects that will reduce or steady their electric bill.

These financial incentives, approved as part of the 2011 PA 11-80, will have little consequence on helping businesses lower or steady their energy bills if the business owners' energy savings are wiped out by increased property taxes on the solar project.

With this much commercial solar development about to launch it's critical the Legislature addresses how these projects are taxed.

Connecticut's municipal property taxation of solar PV systems is perhaps the most challenging in the nation. The mill rates vary quite widely across the various jurisdictions throughout Connecticut. Higher rates tend to be concentrated in urban areas, precisely where rooftop solar systems may be most advantageous. The chances are dim that developers will actively search out customers in Hartford, and other bigger municipalities where property taxes are high. As a result, businesses there will have little chance at lowering their electric bills, and local leaders lose the economic development advantage of promoting their towns as low energy cost towns.

Higher property taxes tend to undermine project viability. It's estimated that a 1MW solar PV system located here in Hartford would have a tax liability of roughly \$130,000 in the first year of operation. This is a disincentive to use cleaner energy.

There remains a general lack of familiarity among local assessors with solar as an emerging technology, and with the various revenue streams that support project development. This can contribute to the lack of predictability and consistency in treatment of such systems for property tax purposes.

High property tax rates place certain jurisdictions at a competitive disadvantage and invites "forum shopping." Larger cities are clear outliers, with mill rates several multiples higher than elsewhere in the state. Customers in such jurisdictions will be severely handicapped in statewide ZREC/LREC solicitations, since these costs must be monetized in the ZREC bid price.

Out of state developers who assume away property tax liability in their pricing proposals will gain a competitive advantage in the ZREC solicitations. Since UI and CL&P have no means of determining whether property taxes have properly been embedded in the ZREC/LREC bid price, all other things equal, contract awards will tend to go to projects that fail to account for such liabilities. This increases the risk that the ZREC/LREC solicitation will result in non-viable projects, unhappy businesses, no job growth, and a slowed deployment of clean energy technologies.

One solution is a standardized valuation for systems subject to property taxes. For all non-exempt zero emission systems, establish a uniform statewide per-MW valuation for installations, as is being considered by the legislatures in New Jersey and Massachusetts. This would ensure that towns still receive the tax revenues associated with solar development within their jurisdictions, while making the level more predictable and transparent.

We are pleased to suggest language for this option, or others.